Every year, the OECD publishes a report on “Development Cooperation”. This year, the figures again show a decline in Official Development Assistance. The biggest industrialized countries are still cutting back their expenditure in this field. Figures taken from the current statistics of the OECD and the German Federal Ministry of Economic Co-operation and Development (BMZ) are illustrated by means of charts.


EPD

Official Development Assistance

Facts and Trends in Charts

In February each year, the Organisation for Economic Co-operation and Development (OECD) in Paris produces an annual report on “Development Cooperation”. The Development Assistance Committee of this association of industrialized countries has had little cheering news to report. The statistics presented – always some 13 months after the end of the year in question – show a downward trend in official development assistance (ODA) across all 21 countries that are members of the DAC.

The major industrialized countries, in particular, have moved further away from the United Nations target of making 0.7 per cent official
development assistance available to Africa, Africa and Latin America. Were it not for the small countries – above all, Denmark, Norway, Sweden and the Netherlands – which give more than 0.7 per cent of official development assistance, the picture would be very bleak. An interim decision reached in Paris in June, whereby total official development assistance from the industrialized countries is to rise in 1998 for the first time since 1994, indicates some modest improvement, however.

This issue of “Dritte Welt Information” (Third World Information) sets out to present clearly the sober statistics of the OECD and the Federal Ministry of Economic Cooperation and Development (BMZ), using a set of 12 charts. These show the facts about the quantitative trend and the structure of official development assistance (ODA) provided by the OECD countries. They also shed light on some aspects of German development assistance.

The Editors

**Assistance?**
The problem starts with terminology. Can development assistance provided by one state to another be described as “assistance”? The word is usually understood to mean disinterested help. In the case of development assistance, however, one of the donors’ motives is self-interest. Moreover, some assistance takes the form of loans rather than gifts, and has to be repaid. Development assistance funds are thus really “development services” or “official development cooperation” – the latter term is used by the Federal Ministry of Economic Cooperation and Development. For pragmatic reasons we have chosen to use “development assistance” in these charts. This is the customary, and shortest, term.
In recent years, only four countries have reached the target of 0.7 per cent set by the United Nations in 1970 (chart 1 and 2). The four largest donors (Japan, the USA, France and Germany) are way below this target. The **lowest point ever** was reached by all 21 OECD countries in 1997. And since 1980 Germany too has been moving further away from the target – with one exception (1996). In 1997, all OECD countries together granted US $ 48.32 billion of official development assistance. According to provisional estimates,
this total rose in 1998 to US $ 51.5 billion. According to the OECD, this rise of around US $ 3.2 billion is attributable largely to an increase in funding from Japan and the USA (US $ 1.3 billion each) and Italy (US $ 1.1 billion). Other countries cut their contributions. Italy raised its ODA funding to 0.20 per cent, almost double that of the previous year.

What counts as “official development assistance”? In the case of the Federal Republic of Germany, some 70 to 80 per cent comes from the budget of the Federal Ministry of Economic Cooperation and Development (BMZ), and from contributions by the Federal Laender and other ministries (e.g. humanitarian aid from the Foreign Office). The expenditure of Federal Laender and local authorities on board and lodging for asylum-seekers from developing countries during their first year in Germany is also recorded as development assistance. Unlike conventional commercial transactions, ODA funds must include an element of subsidy amounting to at least 25 per cent. They therefore incorporate subsidized loans and non-repayable grants (with a subsidy

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**The richest are the meanest**

A comparison of official development assistance

<table>
<thead>
<tr>
<th>G-7 countries:</th>
<th>Japan, USA, Germany, France, United Kingdom, Italy, Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1994</strong></td>
<td><strong>1997</strong></td>
</tr>
<tr>
<td>46.6</td>
<td>35.1</td>
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</tbody>
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<thead>
<tr>
<th>The four most generous donors:*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
</tr>
<tr>
<td>Norway</td>
</tr>
<tr>
<td>Sweden</td>
</tr>
<tr>
<td>Netherlands</td>
</tr>
</tbody>
</table>

* Countries devoting the highest proportions of GDP to development assistance

Source: Calculated from OECD data

**Chart 3**
element of 100 per cent). Assistance funded by donations from private and religious groups is not counted as part of ODA.

According to the OECD’s 1998 report, the absolute decline in official development assistance since 1994 is attributable to cutbacks by the richest industrialized countries in the G-7 group (chart 3). The countries which do not belong to this club have constantly increased their share. In 1997, they gave around 28 per cent of all official development assistance, even though their proportion of the gross inflow of capital into developing countries had remained constant since 1990.

We shall make efforts to raise the level of official development assistance and especially to support those countries which use it efficiently.

G-7 countries in Cologne 1999
The growth in the inflow of private capital into all developing countries since the mid-1990s is impressive at first sight (chart 4 and 5). In 1997, the 15 per cent contributed by official development assistance played a subordinate role. These overall figures mask regional variations in the inflow of capital. In the case of the two largest categories, capital market funds and direct investments, some three-quarters of all funds go domestic product of all 21 OECD countries amounts to only 14 per cent. In 1998, the contributions of the G-7 states rose slightly again, according to provisional estimates, from around 72 to 74 per cent of all development assistance funds.

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to just ten countries in East and Southeast Asia and Latin America. But the picture is changing in the light of the **Asian financial crisis and its global consequences**. According to provisional OECD estimates, the inflow of capital into developing countries in 1998 declined from around US $325 to 181 billion. The proportion of official development assistance rose to 28.5 per cent.

It seems to be Danish and Norwegian politicians who are most adept at telling their citizens that **tax revenue spent on development**

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**International development co-operation** strategies have proved effective during the years of upheaval that we have experienced. The lesson of 1998 is that assistance, even if it is cut back to its indispensable function, is probably required where it is most needed for longer than was thought at the beginning of the “Asian economic miracle”. If the present trend continues, the volume of development assistance will shrink to an insignificant amount before its aims are achieved.

OECD Development Co-operation 1998

**More for the East – less for the South?**

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**Development assistance from industrialized countries for countries in transition**

US $ billions, rounded figures

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
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<td>2.4</td>
</tr>
<tr>
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<tr>
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<td>0.7</td>
</tr>
<tr>
<td>1997</td>
<td>15.6</td>
<td>12.7</td>
</tr>
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</table>

**Official assistance (OA) as % of official development assistance (ODA)**

<table>
<thead>
<tr>
<th>Year</th>
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<th>'94</th>
<th>'95</th>
<th>'96</th>
<th>'97</th>
</tr>
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<tbody>
<tr>
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<td>12.7</td>
<td>10.2</td>
<td></td>
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</tr>
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<td>1994</td>
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<td>1997</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Calculated from OECD data

Chart 7
assistance is a paying investment (chart 6). Danes give about twelve times as much in tax per head of population for development assistance as United States citizens, and about four and a half times as much as Germans, who give almost three times as much as the Americans, while the Swiss give almost twice as much as the Germans. It is interesting to compare charitable donations per head of population with these figures: in 1997, the Germans donated around DM 2 billion in 1997, around DM 25 per head, to German humanitarian and development organizations.

Since the end of the Cold War, the countries of Eastern Europe and the former USSR have been receiving official development assistance from the OECD countries (chart 7). The OECD has included some of these countries in its list of developing countries. Others are described as countries in transition (to a market economy): Belarus, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia and Ukraine.

Since 1991, “development assistance” has been granted to these countries too. The OECD speaks of “official assistance” (OA). These funds are given on the same conditions as official development assistance (ODA). They are not included in the 0.7 per cent target, however. Unlike the World Bank, the OECD makes a distinction in its statistics between developing countries (the DAC List of recipient countries, Part I) and countries in transition, which are, together with other countries, included in Part II of the DAC List.

The one-third to two-thirds split between multilateral and bilateral assistance should be improved to 50 per cent and 50 per cent if the EU can be brought in. Fixed target amounts should give way to a policy of flexibility, however. It is more important that the public are made aware of the multilateral dimension.

Winfried Böll, formerly a senior official at the BMZ
Politicians in the industrialized countries announced in the early 1990s that assistance for countries in transition would not lead to a reduction in assistance for countries in Africa, Asia and Latin America. This did in fact occur. The decline in official development assistance can be explained partly by the granting of “official assistance” to countries in transition.

The existence and significance of the international organizations and agencies are regarded in a very positive light in Germany. An almost dogmatic restriction of channelling a third – and if the EU is discounted, a far smaller proportion – of our development assistance via multilateral organizations, and appreciable cutbacks in recent years (even for as popular an aid agency as UNICEF), keep Germany’s commitment to multilateral assistance well below the level that is generally verbally recognised. This reticence does not accord with what is needed.

Winfried Böll

This is the case in Germany, which is, together with the USA, the largest individual donor of “official assistance”. In its Journalists’ Handbook, the Federal Ministry of Economic Cooperation and Development (BMZ) provides an embellished account, according to which Germany contributed 0.5 per cent of gross domestic product in ODA, plus OA, in 1995. In 1996, it was 0.38 per cent, and in the

Chart 8
The discussion about multilateralism in development assistance is an integral part of the debate about global governance, that is, about how to manage domestic and world affairs, and of the international debate about the reform of the United Nations. There is broad agreement – at least in the grandiloquent speeches heard in international meetings – that global problems, whether concerning population, food, environmental or refugee issues, can be resolved neither by nation-states nor by regional associations of states; and that multilateral organizations capable of action are a prerequisite of global governance. However, the United Nations is increasingly overwhelmed by heavy demands, which it cannot meet because states are not prepared to transfer to it either the authority or the funds needed to solve problems effectively.

Franz Nuscheler
most recent year reported, 0.31 per cent (compare the ODA figures in Chart 2).

The countries on DAC List II are now receiving less assistance, while direct investments and commercial inflows of capital have increased. (The OECD also expanded its List II in 1996 and 1997, so that it now includes, alongside countries in transition, “more developed developing countries and areas”, including Singapore, the Cayman Islands and Israel [which receives considerable assistance from the USA].)

The industrialized countries will be able to include reconstruction assistance for Kosovo in their 0.7 per cent target, since both Albania, residual Yugoslavia and the states formerly belonging to Yugoslavia are regarded as developing countries by the OECD, and placed on List I.

The industrialized countries channel part of their official development assistance through international organizations (chart 8). The best known are the World Bank, the United Nations Development Program and the development assistance agencies of the European Union. The proportion of this multilateral assistance has varied in recent years between 29.4 and 33 per cent.

Which countries receive official development assistance from the industrialized countries is not always governed by criteria that are applied rationally (chart 9). The aim of “combating poverty” is playing an increasing role in all OECD countries. But development assistance is still granted in accordance with strategic interests. A comparison of income per head and development assistance received per head makes this apparent. (Comparisons per head have their limitations: in countries with a high population such as India, a rise in assistance to US $ 10 per head would quickly exhaust the budgets of even the most generous donors.)
Every industrialized country concentrates assistance on certain regions. In 1996, around 27 per cent of development assistance from Germany was targeted at sub-Saharan Africa.

The state receiving the most bilateral development assistance was China, with 11 per cent, followed by Egypt, with 9.7 per cent.

The international community of states set ambitious social goals at the major UN conferences of the 1990s (chart 10). The proportion of people living in absolute poverty (with an income of less than US $1 per day) is to be halved by 2015, for example, and the mortality rate among children under five years of age to be cut by two thirds. Furthermore, there is to be guaranteed access to drinking water, methods of family planning and primary education. In order to achieve all

While the ODA quotas of most OECD countries are stagnating or even diminishing, the conditions attaching to Western development assistance have gradually improved. For developing countries, what matters is not only how much money they receive, but also under what conditions they receive it: at what rate of interest, over what period, and with how many years free of interest.

Franz Nuscheler
In order to come closer to the internationally agreed target of 0.7%, the Coalition will reverse the downward trend in the development budget.

Agreement between the Social Democratic and Green Parties in the German federal coalition government
	his, official development assistance will have to be adjusted as appropriate. In its latest annual report, the OECD observes that the proportion of assistance devoted to social services has risen since 1990 from 10 to around 30 per cent. According to the OECD, this is not enough, in terms of the order of magnitude that is judged necessary. In comparison with what is needed, there is said to be a shortfall of 75 per cent in support for primary education, of 65 per cent for basic health services, and of 20 per cent for family planning.

The chart reveals another trend: in the 1990s, the proportion of funds devoted to alleviating natural and man-made disasters rose substan-

![Chart 11](chart.png)

Comparison of development budget and returns from development assistance

- **Budget of the Federal Ministry of Economic Cooperation and Development (BMZ)**
  - 1993: 8.28
  - 1994: 7.84
  - 1995: 7.67
  - 1996: 7.09

- **Repayment of capital and interest on German development loans**
  - 1993: 1.44
  - 1994: 2.19
  - 1995: 1.9

Source: BMZ  epd-Entwicklungspolitik
tially. In the case of Germany, this proportion has risen twelvefold since the 1970s (to 5 per cent in 1996).

The Social Democratic and Green Party federal coalition government announced when it took office in November 1998 that it would “reverse the downward trend in the development budget and constantly make substantial increases in appropriations (chart 11).” Having presented its savings package in June 1999, the Federal Government evidently set this goal aside.

The simulation produced the most surprising result: the abolition of development assistance and the consequent reduction in taxation would not have brought Germany any economic benefits, but would actually have caused considerable damage.

BMZ, Research Report 124

Development assistance for employers

1 Mark spent on development assistance brings...

... 2.80 Marks in economic benefits for Germany

Source: BMZ

Chart 12
According to the medium-term plan of the Finance Ministry, the **budget of the Ministry of Economic Cooperation and Development (BMZ)** will **shrink** in the next few years. At the same time, interest and capital repayments for development assistance loans granted earlier will flow out of developing countries into federal coffers. The Catholic development organization Misereor suggested last year that these returning funds should be used to create a **“special fund to finance additional measures to combat poverty”**.

Besides its primary purpose of helping partner countries to combat poverty and create a social and economic infrastructure, and of supporting environmental protection, official development assistance also has **economic effects in donor countries** (chart 12). Experts are paid and goods from donor countries are bought out of grants and loans to developing countries. Development assistance also “opens the door” for exports from donor countries. The Federal Ministry of Economic Cooperation and Development has investigated this interrelationship using scientific modelling techniques.

The result is that if development assistance were completely abolished, 240,000 jobs would be lost in Germany. Exports would decline by almost DM 10 billion. The effects of development assistance on the German economy “are considerably greater than previously assumed”, the researchers conclude. “In the period studied, it was not 80 Pfennige (DM 0.80) that was the return to the German economy for every DM spent on development assistance, as is widely stated in the literature, but a disproportionate sum far in excess of DM 2 (precisely DM 2.79 according to the simulation figures).”

Graphics: Angelika Fritsch
Text: Peter Brosse-Brekenfeld
Graphic: Gerhard Mester
Source: “Der Globus quietscht und eiert”, Misereormedienproduktion und Vertriebsgesellschaft, Aachen 1999, p. 29